

CITY OF BUELLTON



QUARTERLY FINANCIAL REPORT

First Quarter Ending September 30, 2015

October 22, 2015

Overview

The purpose of this financial report is to provide financial information for the City of Buellton. This report covers the first quarter of fiscal year 2015-16 or the period July 1, 2015 through September 30, 2015. The report will be presented quarterly and concentrates on the General Fund and Enterprise Funds. The quarterly financial report presents the City's financial position, considers economic factors and highlights trends based on the City's budget versus what actually occurred during the period. A discussion of other economic factors provides a means of comparing the local economy against larger economic events that may affect the City of Buellton. This quarterly financial report is a valuable tool to the Council, staff and general public.

US Economy

Personal income increased .3 percent and disposable personal income increased .4 percent compared to the previous quarter. Wages and salaries increased \$35.6 billion in August compared to \$43.8 billion in July, according to the Bureau of Economic Analysis. Some economists think the U.S economy is on a self-sustaining growth path that should allow the Federal Reserve to start raising interest rates in the latter half of 2015. The Unemployment rate is down from last quarter at 5.1 percent. The number of unemployed persons changed little (7.9 million). Among the major worker groups, the unemployment rates for adult men (4.7 percent), adult women (4.6 percent), teenagers (16.3 percent). The civilian labor force participation rate declined to 62.4 percent in September; the rate had been 62.6 percent for the prior three months.

State Economy

In September, the Department of Finance and the Board of Equalization estimated Sales Tax Compensation Fund amounts to be paid from the Educational Revenue Augmentation Fund and provided this estimate to the County Auditor-Controller. The amounts include, (1) Fiscal Year 2014-15 Triple Flip True Up and, (2) Advance amount for the Second Quarter of 2015. The total triple flip reimbursement in 2015-16 will equal 3 quarters of takeaway activity and was part of the 2015-16 budget estimates provided by HdL. Sales Tax estimates budgeted in 2015-16 included the estimated annual Triple Flip amounts along with anticipated sales tax revenue. The amount budgeted for sales tax is an accurate estimate in light of the State's actions.

City of Buellton

The City's General fund ended the first quarter of the 2015-16 fiscal year with over \$12 Million in fund balance. Minimal change from the prior quarter was experienced. Over half of that amount is restricted until a legal decision is rendered concerning the City's current lawsuit against the State of California. Approximately \$3 Million in cash reserves is available to the City. The General Fund finished the quarter below budgeted revenues at 11 percent but will meet target by year-end. Expenditures are below budget at 20 percent. The City's Enterprise funds ended the first quarter with positive fund balances in both Water and Sewer Funds. Details are provided in a later discussion.

GENERAL FUND

General Fund Balance

The chart below shows that with 25% of the year complete revenues are below projections at 11% while expenditures are below expected at 20% of appropriations. “Revenue versus budget” gaps are explained in the next paragraph.

General Fund - Fund Balance	Budget	Actual	Percent
Balance, at Start of Year	\$ 12,810,992	\$ 12,810,992	
Revenues *	6,665,000	714,327	11%
Expenditures *	6,653,082	1,331,447	20%
Balance, at End of Year	<u>\$ 12,822,910</u>	<u>\$ 12,193,872</u>	
* Includes Transfers			

The chart below provides summary comparison information on revenues and expenditures for the first quarter ending September 30, 2015 versus the first quarter ending September 30, 2014. Total revenues are higher in the prior year. The major cause of this variance is delayed receipts in the current year for Property tax, Sales tax, Transient Occupancy Tax and Franchise Fees. Revenue flows are expected to be on target with budget as the fiscal year elapses. Expenditures are lower compared to the prior year first quarter of 2015-16. This was due to capital outlay for fleet vehicle replacement purchases in the first quarter of the prior year. Current actual expenditures are below budget at 20 percent of appropriations. Capital projects in progress include Fundware software replacement, Storm Drain Cleaning/Retrofit, Facilities Maintenance, Riverview Park Improvements, Village Park Improvements, Road Maintenance and Industrial Way Streetlights.

General Fund	2015-16	2014-15	Over (Under)
Revenues:			
Taxes	612,085	987,852	(375,767)
Fees and Permits	5,150	5,756	(606)
Fines and Penalties	3,031	6,120	(3,089)
Charges For Current Services	59,807	58,140	1,667
Other Revenues	34,254	44,337	(10,083)
Total Revenues	<u>714,327</u>	<u>1,102,205</u>	<u>(387,878)</u>
Expenditures:			
General Government	1,331,447	1,390,260	(58,813)
Capital	-	77,425	(77,425)
Total Expenditures	<u>1,331,447</u>	<u>1,467,685</u>	<u>(136,238)</u>

Top Five Revenues

Top Five Revenues	Budget	YTD Actual	Percent
Sales Tax	2,050,000	149,216	7%
TOT	1,600,000	442,501	28%
Property Tax	1,188,000	3,378	0%
MVLF	363,000	-	0%
Franchise Fees	210,000	16,990	8%
Other Revenues	759,441	102,242	13%
Total Revenues	6,170,441	714,327	12%

Sales Tax

The City received 7 percent of the total Sales Tax revenue as of September 30, 2015 (one month). Payments are recorded when received and applied to the corresponding months of sales, usually two months prior to receipt. Sales Tax payments fluctuate each month and are expected to be on target with budget for the 2015-16 fiscal year. Sales tax is the top revenue source in the General Fund. The City has experienced strong revenue reports from local sales tax and increasing trends are expected. The State's reimbursement for the "Triple-Flip" wind down process will be completed in the latter half of 2015-16. Triple flip is ending and according to law, the full 1 percent rate will then return on January 1, 2016 and the 0.25 percent state Fiscal Recovery Fund rate ends.

Transient Occupancy Tax (TOT)

This revenue source is a major component of the City's General Fund revenue. The City expects TOT revenue streams to meet budgeted levels with total receipts at 28 percent at the end of the first quarter. TOT receipts have been received through August. Payments for the reporting period are due on the 20th of the following month, which causes revenue streams to lag one month.

Property Tax

The City's property tax revenues are received later in the fiscal year at intervals set by the Santa Barbara County Auditor-Controller. Property tax is expected to be on target with budget.

Motor Vehicle License Fees

Payments for 2015-16 are expected to be on course with budget. Payments from the State of California are received intermittently throughout the fiscal year.

Franchise Fees

The majority of the City's Franchise Fees are collected from MarBorg Industries, the City's solid waste service provider. Other franchise fees are received from various utilities. This revenue source is on target with budget with timing delays in the first quarter.

Expenditures

The chart below summarizes operating costs by department and shows that one budget unit is over budget. Overall the General fund is within budget at the end of the first quarter.

Department Expenditures	Budget	YTD Actual	% Expended
City Council	142,622	32,458	23%
City Manager	213,832	51,399	24%
City Clerk	111,385	24,173	22%
City Attorney	150,000	33,020	22%
Non-Departmental	1,365,676	235,827	17%
Finance	312,580	69,509	22%
Police and Fire	1,977,896	433,489	22%
Library	99,741	1,322	1%
Recreation	474,058	142,259	30%
Street Lights	55,000	13,609	25%
Storm Water	184,600	15,878	9%
Public Works - Parks	320,800	41,734	13%
Public Works - Landscape	100,500	8,778	9%
Public Works - Engineering	110,000	10,120	9%
Public Works - General	584,205	140,326	24%
Planning (Comm Dev)	450,187	77,546	17%
Transfer to CIP Fund 92	-	-	
Total All Departments	6,653,082	1,331,447	20%

As of September 30, 2015 or 25 percent of the year expended, the General Fund budget ended at 20 percent spent. Actual General Fund expenditures were approximately \$1.3 Million. Although Recreation ended the quarter at 5 percent over budget, the General Fund absorbed the overage with numerous departments falling within appropriations and ending the quarter under-budget. The Recreation Department experienced an increase in operating activities during the quarter. Offsetting this seasonal trend, an increase in recreation program revenue was noted for the same period. CIP expenditures will be discussed later in the fiscal year. Because of the positive condition of the other General Fund budget units, there are no budget amendments required this quarter for the General Fund.

Major Expenditure Variances

Expenditures By Type	Budget	YTD Actual	% Expended
Staffing	1,633,560	327,117	20%
Contract Services	3,075,737	537,531	17%
Telecomm and Utilities	263,092	38,050	14%
Supplies and Materials	254,050	46,582	18%
Other Operating Costs	1,377,893	381,878	28%
Minor Capital	48,750	288	1%
Total by Type	6,653,082	1,331,447	20%

The chart above shows General Fund operating expenditures by Expenditure Type. With 25 percent of the year expended as of the first quarter of fiscal year 2015-16, all budget categories are within budget with the exception of “Other Operating Costs”. This category includes expenditures for community organization support which is paid at the beginning of each fiscal year. The total grants approved amounted to \$78,900 and included payments to SYV Senior Citizens’ Foundation, People Helping People, Foodbank of Santa Barbara County, SYV Fruit and Vegetable Rescue and the Aquatics Foundation. The overall General Fund operating expenditures are within budget.

ENTERPRISE FUNDS

The Statement of Revenues and Expenses for the first quarter of Fiscal Year 2015-16 are shown below.

Revenues and Expenses

Enterprise Funds	Water	Wastewater
Revenues		
Charges for Service	397,398	186,755
Interest Income		
Other Revenues*	85,210	19,542
Total Revenues	482,608	206,297
Expenses		
Operating	227,220	151,619
Transfers Out/CIP	102,152	
State Water		-
Total Expenses	329,372	151,619
Profit (Loss)	153,236	54,678

*Connection Fees

Water Fund

Operating revenues have exceeded operating expenditures by over \$250,000 in the first quarter of Fiscal Year 2015-16 (excludes Capital Improvement Projects). The Water fund utilizes reserves to fund Capital Improvement projects (CIPs) which amount to about \$100,000 expended as of September 30, 2015. The total CIP budget for fiscal year 2015-16 includes Reservoirs 1 & 2 Improvements, Water Treatment Plant Facilities Improvements and Water Treatment Plant Backwash Reclamation Improvement Project, Water Meter Improvements, Recycled Water Concept (costs shared jointly with Wastewater) and Fundware Financial and Utility Billing Replacement Project. The Water Fund will split the cost of the Fundware Software Replacement Project equally between Water, Wastewater and General Fund (1/3 each). Budgeted appropriations for CIPs amount to approximately \$1.1 Million. A water rate study is planned to provide direction regarding the need for future rate increases. The Water Fund ended the first quarter with approximately \$2.1 Million in reserves.

Wastewater Fund

Operating revenues exceeded operating expenditures by about \$55,000 in the first quarter of Fiscal Year 2015-16 (excludes Capital Improvement Projects). The Sewer fund utilizes reserves to fund Capital Improvement projects (CIPs) which amount to zero expended as of September 30, 2015. The total CIP budget for fiscal year 2015-16 includes Wastewater Treatment Plant Facilities Improvements, Sewer Collection System Clean (CCTV), Recycled Water Concept (costs shared jointly with Water) and Fundware Financial and Utility Billing Software Replacement. The Wastewater Fund will split the cost of the Fundware Software Replacement Project equally between Water, Wastewater and General Fund (1/3 each). Total budgeted appropriations for CIPs amount to about \$280,000. A sewer rate study is planned to provide direction regarding the need for future rate increases. The Sewer Fund ended the first quarter with slightly over \$1.4 Million in reserves.